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| **Ontario Energy** **Board** P.O. Box 231927th Floor2300 Yonge StreetToronto ON M4P 1E4Telephone: 416- 481-1967Facsimile: 416- 440-7656Toll free: 1-888-632-6273 | **Commission de l’énergie****de l’Ontario**C.P. 231927e étage 2300, rue YongeToronto ON M4P 1E4Téléphone: 416- 481-1967Télécopieur: 416- 440-7656Numéro sans frais: 1-888-632-6273 |  |

**BY E-MAIL**

February 17, 2016

Kirsten Walli

Board Secretary

Ontario Energy Board

2300 Yonge Street, 27th Floor

Toronto, ON M4P 1E4

Dear Ms. Walli:

**Re: Atikokan Hydro Inc. (Atikokan Hydro)**

**2017 Distribution Rate Application**

**OEB Staff Interrogatories**

**Board File No. EB-2016-0056**

In accordance with Procedural Order No. 1, please find attached OEB staff’s interrogatories in the above noted proceeding. Atikokan Hydro and all intervenors have been copied on this filing.

Atikokan Hydro’s responses to interrogatories are due by March 22, 2016.

Yours truly,

*Original Signed By*

Chris Codd

Project Advisor, OEB Case Manager, EB-2016-0056

Attach.

**OEB Staff Interrogatories**

**2017 Cost of Service Rate Application**

**Atikokan Hydro Inc. (Atikokan Hydro)**

**EB-2016-0056**

**February 15, 2016**

**Exhibit 1 – Administration**

**1-Staff-1
Responses to Letters of Comment
Ref: Sections 2.4.2 and 2.4.5 of the Filing Requirements**

Following publication of the Notice of Application, at this point, the OEB received 1 letter of comment. Section 2.1.6 of the Filing Requirements state that distributors will be expected to file with the OEB their response to the matters raised within any letters of comment sent to the OEB related to the distributor’s application. If the applicant has not received a copy of the letter, they may be accessed from the public record for this proceeding.

Please file a response to the matters raised in the letter of comment referenced above. Going forward, please ensure that responses are filed to any subsequent letters that may be submitted in this proceeding. All responses must be filed before the argument (submission) phase of this proceeding.

**1-Staff-2
Updated Revenue Requirement Work Form (RRWF)
Ref: RRWF workbook**

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated RRWF in working Microsoft Excel format with any corrections or adjustments that the Applicant wishes to make to the amounts in the populated version of the RRWF filed in the initial applications. Entries for changes and adjustments should be included in the middle column on sheet 3 Data\_Input\_Sheet.

Please include documentation of the corrections and adjustments, such as a reference to an interrogatory response or an explanatory note. Such notes should be documented on Sheet 10 Tracking Sheet, and may also be included on other sheets in the RRWF to assist understanding of changes.

**1-Staff-3
Updated Appendix 2-W, Bill Impacts
Ref: Appendix 2-W**

Upon completing all interrogatories from OEB staff and intervenors, please provide an updated Appendix 2-W for all classes at the typical consumption / demand levels (e.g. 141 kWh and 750 kWh for residential, 2,000 kWh for GS<50, etc.).

**1-Staff-4
Customer Engagement
Ref: Exhibit 1, Section 2.1.6**

Chapter 2 of the Filing Requirements states:

Distributors should specifically discuss in the application how they informed their customers of the proposals being considered for inclusion in the application, and the value of those proposals to customers (i.e. costs, benefits and the impact on rates that customers would face). The application should discuss any feedback provided by customers and how this feedback shaped the final application.

Distributors should also reference any other communications sent to customers about the application, such as bill inserts, town hall meetings held, or other forms of outreach undertaken to engage customers and explain to them how the application serves their needs and expectations, and the feedback heard from customers through these engagement activities.

Did Atikokan inform customers of large capital projects such as the purchase of the Digger Derrick truck? If so, please describe how customers were informed of the costs, benefits and impact on rates of the proposals.

**1-Staff-5
Audited Financial Statements
Ref: Exhibit 1, Attachment A**

In the 2014 audited financial statements, Atikokan received a qualified audit opinion and had a going concern note which referenced the 2014 deficit of $156k. In the 2015 audited financial statements, Atikokan received an unqualified audit opinion. Please discuss the auditor’s consideration in moving from a qualified to an unqualified audit opinion from 2014 to 2015.

**Exhibit 2 – Rate Base**

**2-Staff-6
Inconsistency in disposals
Ref: Exhibit 2, Schedule 2.2.1.1, Page 15, Appendix 2-BA
Ref: Exhibit 3, Schedule 2.3.3 Page 35, Table 3-45
Ref: Exhibit 4, Schedule 2.4.5, Attachment D PILS Model**

In the 2017 Appendix 2-BA, net disposals (cost – accumulated depreciation in disposals column) show a gain of $11k. In the calculation of the 2017 taxable income in the PILS model, an addition of $7k is included for loss on disposal of assets. Please reconcile the two amounts.

In Table 3-45, amounts for Account 4355 Gain on Disposition of Utility and Other Property; and, Account 4360 Loss on Disposition of Utility and Other Property are not included in Other Revenues. Please explain these discrepancies and confirm the appropriate total net gain or loss amount for the test year and revise the evidence as needed.

**2-Staff-7
Inflation rate
Ref: Exhibit 2, Section 2.2.1.1, p. 3**

At the reference, Atikokan Hydro states that it has assumed an inflation rate of 1.95% where expense increases were unknown or unpredicted.

What proportion of capital costs (as a % of total capital costs in the test year) were developed using the generic 1.95% inflation rate?

**2-Staff-8
2013 vs. 2014 Distribution Plant
Ref: Exhibit 2, p. 20, Table 2-11**

At the reference, Atikokan Hydro presents its year-over-year changes in distribution plant from 2013 to 2014. The change in Computer Software (Account 1611) exceeded the materiality threshold but was not explained.

What was the cause of the $166,230 reduction in the computer software account?

**2-Staff-9
New information on capital plans
Ref: Exhibit 2, Section 2.2.2.1, p. 31**

Has any information come forward, since the application was submitted, to indicate that 2016 or 2017 capital expenditure forecasts require amendment? If so please provide an update with any rationale for changes.

**2-Staff-10
Service reliability
Ref: Exhibit 2, Section 2.2.2.8, p. 36, Table 2-18**

At the reference, Atikokan Hydro provided reliability statistics for the years from 2011 to 2015. Atikokan Hydro did not provide any reliability statistics excluding major events because this is a new reporting statistic.

Are Atikokan Hydro’s 2016 reliability statistics available at this time? If so, please provide those results in each of the three categories (all outages, excluding loss of supply and excluding major events).

**2-Staff-9
Clarify typos and incomplete information in
Ref: Exhibit 2, Attachment A, p. 6
Ref: Exhibit 2, Attachment A, p. 18
Ref: Exhibit 2, Attachment A, p. 51
Ref: Exhibit 2, Attachment A, p. 104**

The first reference states that Atikokan Hydro’s customer base is “166d”.

At the second reference, there are two instances of “XX”.

At the third reference, there is a sentence that appears to be incomplete, “Atikokan only has 2 Km.”

At the fourth reference, there is an instance of “X”.

1. Please provide a correction to the number at the first reference.
2. Please provide a corrected sentence with the two instances of “XX” at the second reference replaced with numbers.
3. Please complete the sentence at the third reference or confirm that it is already complete.
4. Please provide a corrected sentence with the instance of “X” at the fourth reference replaced with numbers.

**2-Staff-11
Steep Rock Reclamation Project
Ref: Exhibit 2, Attachment A, p. 10-11**

Atikokan Hydro explains that flooding from the Steep Rock Iron Mines could affect Atikokan Hydro’s distribution substation within 5 to 7 years, and in the long-run (by 2070) the Hydro One-owned Moose Lake TS that supplies Atikokan Hydro’s system could be flooded. Atikokan Hydro states that it intends to recover any costs through its distribution rates.

1. Has Atikokan Hydro received any new information since the filing of its rate application from the Ministry of Natural Resources or other parties regarding the potential impacts and timing of the impacts to the systems that supply electricity to the Town of Atikokan? Please provide a summary of any new information received.
2. Other than access to its distribution station, please describe any other impacts to Atikokan Hydro’s system relating to the flooding from the mines.
3. Has Atikokan Hydro sought any advice regarding the potential recovery of these costs from the mine owners, Ontario Power Generation, the Ministry of Natural Resources or other parties?

**2-Staff-12
Annual asset investment for renewal
Ref: Exhibit 2, Attachment A, p. 14**

Atikokan Hydro estimates that it needs to invest about $195k each year to maintain its assets over a 20 year replacement period.

How did Atikokan Hydro determine that its assets need to be replaced over a 20 year period?

**2-Staff-13
Long-Term Load Transfer (LTLT) customers
Ref: Exhibit 2, Attachment A, p. 18**

Atikokan Hydro has one LTLT agreement with Hydro One. Atikokan Hydro and Hydro One believe that this is a settlement issue that cannot be resolved through a transfer of customers and/or assets.

1. How many customers and how much load (in kWh) are served by Atikokan Hydro through the LTLT agreement with Hydro One?
2. Please explain the settlement issue and why it cannot be resolved.
3. Please explain why the LTLT should be removed from the list of LTLTs?

**2-Staff-14
Outages caused by human elements
Ref: Exhibit 2, Attachment A, p. 39-40**

“Human Element” is the third most common outage cause between 2012 and 2015. Atikokan Hydro notes that greater public education and awareness could help reduce these types of outages and improve public safety.

Is Atikokan Hydro planning any activities to raise public awareness of electrical safety? Would these activities be a cost-effective way to reduce outages?

**2-Staff-15
Asset condition assessments
Ref: Exhibit 2, Attachment A, p. 43-48**

Atikokan Hydro states that it adopted a mapping system to track several characteristics for each of its individual poles, including the pole condition.

Does Atikokan Hydro have asset condition information for any other asset types? Please provide a summary of asset conditions for those other asset types (e.g., a distribution of the asset conditions and a brief description of the asset condition levels).

**2-Staff-16
Caland substation
Ref: Exhibit 2, Attachment A, p. 55
Ref: Exhibit 2, Attachment A, p. 63
Ref: Exhibit 2, Attachment A, p. 104**

Atikokan Hydro describes the Caland substation as costly to operate and is used to serve 5 customers. Atikokan Hydro also notes that this substation could be affected by the Steep Rock Mines Reclamation as well.

At the second reference, Atikokan Hydro indicates that it may be more cost effective to take this substation out of service.

1. What is the annual electricity consumption by the five customers served from the Caland substation?
2. Is Atikokan Hydro planning any major capital expenditures (greater than $50,000) on the Caland substation in the next 5 years?
3. Has Atikokan Hydro assessed any alternatives to supplying the five customers from the Caland substation? If so, please provide Atikokan Hydro’s assessment of those alternatives.

**2-Staff-17
Transformer conditions
Ref: Exhibit 2, Attachment A, p. 56-57**

A majority of Atikokan Hydro’s transformers were installed in 1978 (219 out of 345). Atikokan Hydro indicates that these will need to be replaced as they reach the end of their useful life (45 years) in 2023.

1. Does Atikokan Hydro replace transformers based on age, condition or other factors? Please explain.
2. How many transformers is Atikokan Hydro planning to replace during the next five years (2017 to 2021)?
3. Does Atikokan Hydro have condition assessments for these transformers? If so, please provide a summary of that information.

**2-Staff-18
Smart meters
Ref: Exhibit 2, Attachment A, p. 66**

Atikokan Hydro’s smart meters’ seals will expire in 2019 and Atikokan Hydro intends to seek re-verification of the seals as a lowest cost option. If re-verification fails, it would require replacement of all smart meters at an estimated cost of over $200,000. Atikokan Hydro has also observed that meters facing south and receiving more sunlight have higher failure rates.

1. Does Atikokan Hydro have any new information about the re-verification process for smart meters? Does Atikokan Hydro have an approximate probability of successful re-verification?
2. Atikokan Hydro indicates that it may need to borrow money to replace the meters if re-verification fails. Does Atikokan Hydro have any concerns about its ability to borrow money for this project?
3. Assuming that re-verification is successful, will the smart meters all require replacement at the end of their useful life in 2024?
4. Is Atikokan Hydro aware of any other utilities that have higher failure rates for south-facing smart meters?
5. Has Atikokan Hydro considered constructing a shade for the smart meter to reduce failure rates?

**2-Staff-19
Pole replacements
Ref: Exhibit 2, Attachment A, p. 69-73**

Atikokan Hydro is proposing to invest $612,450 in its distribution poles with a focus on poles in a deteriorated condition and the poles of the main feeders to the town (3M2 and 3M3).

1. Is Atikokan Hydro planning to replace all poles with a condition of “5- Immediate Concern” over the next 5 years? If not, please explain why not?
2. What proportion of poles with a condition of “4-Concern” is Atikokan Hydro planning to replace over the next 5 years?
3. How many poles on feeders 3M2 and 3M3 is Atikokan Hydro planning to replace over the next 5 years?

**2-Staff-20
Replacement of 9082 Digger Derrick
Ref: Exhibit 2, Attachment A, p. 107-109**

Atikokan Hydro is proposing to spend $120,000 to replace two service trucks that are past their useful life.

1. Please confirm whether Atikokan Hydro is on schedule to purchase these trucks in 2017. If not confirmed, please provide the planned purchase date.
2. Did Atikokan Hydro conduct an economic analysis comparing the buy used and buy new alternatives? If so, please provide that analysis.

**2-Staff-21
Replacement of 9093 and 9094 service trucks
Ref: Exhibit 2, Attachment A, p. 110-112**

Atikokan Hydro is proposing to spend $300,000 to replace its digger derrick truck that is past its useful life. Atikokan Hydro is planning to purchase a new truck but has not decided whether it will be a hydraulic or electric digger-derrick truck.

1. Please confirm whether Atikokan Hydro is on schedule to purchase this truck in 2017. If not confirmed, please provide the planned purchase date.
2. Is there any new information regarding the cost of the proposed new truck?
3. Did Atikokan Hydro conduct an economic analysis comparing the do nothing, buy used and buy new alternatives? If so, please provide that analysis.

**Exhibit 3 – Operating Revenue**

**3-Staff-22
Load Forecast
Ref: Exhibit 3, p. 5**

Atikokan Hydro indicates that it has updated its analysis for actual power consumed by each customer class up to December 2015.

Please provide consumption and the number of customers by class for 2016. Please describe how 2016 actuals vary from the 2016 forecast in the application and indicate how the load and customer forecast for 2017 may be affected.

**3-Staff-23
Load Forecast Model
Ref: Load Forecast Model, Worksheet “Summary”
Ref: Exhibit 3, p. 8-10**

The Load Forecast Model presents actual kWh purchases against those predicted by the model in rows 4 to 6 of the Summary worksheet. The differences are relatively small from 2003 to 2012 (absolute average of 2.2%) but become quite large for 2013 to 2015 (absolute average of 14.4%).

At the second reference, the Load Forecast Model is described as including an “Intermediate class” flag to account for when the customer in the former intermediate rate class consumed more than 1 GWh/month. This flag was 0 from 2009 to 2015.

1. Please provide the actual kWh purchase for 2016.
2. Does the intermediate flag variable have any impact on the forecast once it is set to zero?
3. Please explain why the model’s predicted kWh purchases for 2013 to 2015 differed significant from actuals.
4. Please explain why the Board should be confident that this model has provided a reasonable forecast for the test year.

**3-Staff-24
Load Forecast Model
Ref: Exhibit 3, p. 9
Ref: Exhibit 3, p. 8, Table 3-4**

At the first reference, it is explained that the load forecast is a top-down forecast that starts by forecasting overall consumption, weather normalizing that consumption and then dividing it among customer classes based on customer counts.

At the second reference, the consumption per customer in the GS > 50 kW customer class more than doubled from 2014 to 2015.

1. What was the cause of the significant increase in the consumption per customer in the GS > 50 kW class from 2014 to 2015?
2. Is Atikokan Hydro concerned that the top-down approach may be inappropriate given the significant changes in consumption patterns for the GS > 50 kW in recent years?

**3-Staff-25
Revenue volatility
Ref: EB-2016-0052, December 17, 2015, letter from OEB
Ref: Exhibit 3, p. 4Table 3-1**

In EB-2016-0052, Atikokan Hydro received a letter from the OEB regarding its earnings being 1,921 basis points above the target return on equity (ROE). In response, Atikokan Hydro explained the circumstances that led to the over-earning and also showed that its ROE had significantly deviated above and below the target ROE between 2011 and 2015.

The table in the application at reference 2 above shows that Atikokan Hydro’s revenue has varied significantly from 2011 to 2015, and Atikokan Hydro had stated this is one of the causes for the variance in ROE.

1. Please provide actuals or an updated estimate of 2016 distribution and other revenues.
2. What is the potential variance (expressed as a percentage) in distribution and other revenues for the test year?
3. Please provide actual ROE for the period from 2012 to 2016.
4. How has Atikokan Hydro managed the significant variations in its ROE in previous years?

**Exhibit 4 – Operating Expenses**

**4-Staff-26
OM&A Capitalization
Exhibit 4, Schedule 2.4.1, Page 5**

Atikokan Hydro states that one of the main drivers for the OM&A variance is greater capitalization of OM&A, leading to an increase in OM&A of $52k between 2012 and 2017.

1. Please explain why OM&A that is capitalized to PP&E would increase OM&A and not decrease OM&A.
2. Please confirm that capitalized OM&A amounts have been deducted from OM&A that is requested for recovery and included in rate base. If not, please revise OM&A and rate base.

**4-Staff-27
OPEBs
Exhibit 4, Schedule 2.4.3.1, Page 20**

The only Other Post-Employment Benefit (OPEB) is the death benefit to retirees.

1. Please provide the OPEB amounts from 2012 to 2017.
2. Please indicate if the OPEB amounts are recovered on a cash or accrual basis.
3. If the amounts are material, please complete Appendix 2-KA from Chapter 2 of the 2017 Filing Requirements[[1]](#footnote-1).

**4-Staff-28
Depreciation and useful lives
Exhibit 4, Schedule 2.4.4, Pages 31-38
Exhibit 2, Schedule 2.2.1.1, Pages 10-15 Appendix 2-BA**

1. Table 4-27 shows Account 1850 to have a useful life of 45 years. However, in Tables 4-29 to 4-32, Account 1850 is depreciated over 60 years.
	1. Please confirm that the useful life should be 45 years and revise Tables 4-29 to 4-32 as appropriate.
	2. If the useful life is 60 years, please explain why it is 60 instead of 45.
2. Tables 4-29 to 4-32 all show a variance between the depreciation calculated in these tables and the depreciation used in Appendix 2-BA that informs rate base. Please explain how the depreciation in Appendix 2-BA is calculated.
3. In Tables 4-29 to 4-32, the Opening Accumulated Depreciation balances from Appendix 2-BA is used in the “Less Fully Depreciated” column. This means that depreciation is calculated on the net book value each year and not on the gross book value. Therefore, straight line depreciation is not used. “Less Fully Depreciated” is for assets that have been fully depreciated to $0. If this is an oversight, please revise Tables 4-29 to 4-32 accordingly to calculate depreciation on a straight line basis. Otherwise, please provide an explanation for the approach proposed and why it is reasonable to deviate from the OEB established policy on this matter.

**4-Staff-29
PILS
Exhibit 4, Schedule 2.4.5, Attachment D PILS Model**

Please confirm that Atikokan is not forecasting any apprentice income tax credits in 2017. If not confirmed, please run a scenario with the PILS model that includes the tax credit. Otherwise, please provide an explanation for the approach proposed and why it is reasonable to deviate from the OEB established policy on this matter.

**4-Staff-30
Billing and collecting costs and smart meters
Ref: Exhibit 4, p. 5, Table 4-3
Ref: Exhibit 4, p. 6
Ref: Exhibit 4, p. 9, Table 4-6**

Table 4-3 shows that billing and collecting O&M costs have increased by about 23% between 2012 and 2017 (about 4% per year). Atikokan Hydro explains at the second reference that this is due to an increase in metering service provider costs and increased maintenance costs. At the third reference, the increase appears to be due primarily to customer billing costs.

1. Were any savings associated with the implementation of smart meters already achieved in 2012?
2. Have there been any further savings since 2012 associated with the adoption of smart meters?
3. What proportion of the increase in billing and collecting costs is due to the service provider, due to meter maintenance and due to other causes?
4. Has Atikokan Hydro considered an alternative meter service provider?

**4-Staff-31
O&M costs for overhead distribution lines
Ref: Exhibit 4, p. 9, Table 4-6**

Atikokan Hydro’s O&M costs for overhead distribution lines have increased by $89,465/yr from 2012 to 2017 and this is equal to annualized rate of increase of 6.7%.

Please explain the drivers for the increase in overhead distribution line O&M costs.

**4-Staff-32
Property tax cost
Ref: Exhibit 4, p. 41**

Atikokan Hydro is forecasting its property tax cost for 2017 based on the 2016 amount plus an inflation rate of 1.95%.

1. Is Atikokan Hydro expected to be assessed a higher property value for 2017?
2. Is Atikokan Hydro expecting property tax rates to increase in 2017?

**Exhibit 5 – Cost of Capital**

**5-Staff-33
Long-term debt rate
Ref: Exhibit 5, p. 3
Ref: Appendix 2-OB**

At the first reference, Atikokan Hydro requests a long-term debt rate of 4.54%, which was equal to the cost of capital parameters published by the OEB at the time of filing.

At the second reference, Atikokan Hydro has used a long-term debt rate of 3.31% to calculate its return.

1. Please clarify whether Atikokan Hydro is seeking a long-term debt rate based on the OEB’s cost of capital parameters or the 3.31% derived from its actual loans.
2. If Atikokan Hydro is seeking a debt rate higher than its actual loans, please explain the basis for doing so.

**5-Staff-34
Long-term debt rate
Ref: Exhibit 5, p. 4-5
Ref: Appendix 2-OB**

At the first reference, Atikokan Hydro explains that the Town of Atikokan converted $1,262,063 of debt into preferred shares in November 2013.

At the second reference, Atikokan Hydro is proposing to split it 40% of equity between common equity and preferred shares and both forms of equity will receive the OEB’s target return on equity.

1. Please confirm that Atikokan Hydro had $889,617 of long-term debt at the end of December 2016.
2. If Atikokan Hydro is seeking a debt rate higher than its actual loans, please explain the basis for doing so.
3. How much short-term debt does Atikokan Hydro have?
4. Please confirm that there is a total of $2,539,963 equity in Atikokan Hydro and that all of the equity is owned by the Town of Atikokan.
5. What is the impact of Atikokan Hydro’s proposal to split its deemed equity structure between common equity and preferred shares?
6. What is the impact to PILS due to the conversion of debt to equity additional equity?

**Exhibit 7 – Cost Allocation**

**7-Staff-35
Load profiles
Ref: Exhibit 7, p. 5-6, Table 7.3**

The load profiles used for cost allocation are those from the 2004 cost of service application scaled to align with the load forecast for 2017.

1. Has Atikokan Hydro compared its load profiles against a sample of actual load profiles for each rate class? If not, could this be done for the residential rate class?
2. Has Atikokan Hydro considered updating its load profiles using the most recent 5 years of consumption data?
3. Does the removal of the Intermediate rate class during the period from 2004 to 2017 affect the reasonableness of scaling the load profiles since former intermediate class customers are now in the GS > 50 kW class?

**Exhibit 8 – Rate Design**

**8-Staff-36
Revenue-to-cost ratios
Ref: Exhibit 8, p. 5-6**

Atikokan Hydro has shown that the revenue-to-cost ratios for the GS > 50 kW and street lighting classes exceed the policy range. Atikokan Hydro is proposing to reduce the ratios to the upper end of the policy range in a single year and increase only the residential ratio accordingly.

1. Has Atikokan Hydro considered changing the revenue-to-cost ratios over more than one year?
2. Has Atikokan Hydro considered increase the revenue-to-cost ratio of both the residential and GS > 50 kW classes?
3. Would either of the options in a) or b) reduce the overall impact of the application to low-energy residential consumers to less than 10% of total bill?

**8-Staff-37
Transition to fixed residential rates
Ref: Exhibit 8, p. 2-3
Ref: Exhibit 8, p. 13-14**

At the first reference, Atikokan Hydro describes the second year of its transition to fixed residential rates. At the second reference, the impact to low-energy residential consumers is shown to exceed 10% on a total bill impact. Atikokan Hydro is not proposing any mitigation.

Has Atikokan Hydro considered reducing the size of the transition to fixed residential rates in the test years to reduce the overall impact of the application to low-energy consumers? If so, please explain why this was rejected. If not, why not?

**8-Staff-38
Loss factors
Ref: Exhibit 8, p. 11-12
Ref: Exhibit 8, p. 32**

At the first reference, Atikokan Hydro notes that a different loss factor is being proposed for incorporation into its rates than the loss factor used in developing its load forecast.

At the second reference, Atikokan Hydro is proposing to use a loss factor of 1.1003 for secondary metered customers and a loss factor of 1.0892 for primary metered customers.

1. Please explain why a loss factor based on 10 years of data is reasonable for the load forecast and a loss factor based on 5 years of data is reasonable for setting rates.
2. Do the significant changes in load served by Atikokan Hydro over this period affect the calculation of the loss factors for either the load forecast or rates?
3. Would Atikokan Hydro prefer to use a loss factor based on 10 years of historical data for rates?
4. Please explain how the primary metered loss factor was calculated.

**Exhibit 9 – Deferral and Variance Accounts**

**9-Staff-39
IFRS Transition Costs
Ref: Exhibit 9, Section 2.9.1, Page 8**

For Account 1508 sub-account Deferred IFRS Transition Costs, please confirm that no IFRS transition costs were included in OM&A in Atikokan’s 2012 cost of service application. If not confirmed, please provide the amount that was included in rates.

**9-Staff-40
Reconciliation between DVA Continuity Schedule and control account 1580
Ref: Exhibit 9, Schedule 2.9.5, Pages 14 and 18, DVA Continuity Schedule**

In the DVA Continuity Schedule, control account 1580 WMS has a $0 balance. Account 1580, sub-account CBR Class B has a credit balance of $67k. It’s also stated on page 18 that Atikokan has no proposal for disposition of Account 1580, sub-account CBR Class B at this time.

1. Please reconcile the last sentence above with the credit balance of $67k requested for disposition in the DVA Continuity Schedule.
2. There was no CBR component included in the WMS rate in 2015. As such, only debit balances are expected for Account 1580, sub-account CBR Class B in 2015. Please explain why Atikokan has a credit balance in the sub-account. Please revise the DVA Continuity Schedule as appropriate.
3. Please explain why there is no balance in the control account 1580. Please revise the DVA Continuity Schedule as appropriate.

**9-Staff-41
Reconciliation between DVA Continuity Schedule and control account 1580
Ref: Exhibit 9, Schedule 2.9.5, Page 15**

As per the EDDVAR Report dated July 31, 2009, all account balances should be disposed unless otherwise justified by the distributor at the time of rebasing. Atikokan is requesting not to dispose of Account 1551 as the balance in the account is not material. However, Atikokan is requesting to dispose of all other accounts.

1. Is Atikokan suggesting the amount in Account 1551 to be rolled forward and disposed in a future application or for it to be written off?
2. Would Atikokan agree to dispose of Account 1551 so as to be consistent with the requested disposition of the other Group 1 accounts? If yes, please revise the DVA Continuity Schedule.

**9-Staff-42
Reconciliation between DVA Continuity Schedule and control account 1580
Ref: Exhibit 9, Schedule 2.9.5, Page 15**

Atikokan indicates that it is not requesting the residual balance in Account 1592 for disposition as the sunset date of the associated rate riders was April 30, 2016. At that time, the balance will be transferred to Account 1595 (2012) upon its completion.

1. Please confirm that Account 1592 being referred to is Account 1592, sub-account HST/OVAT ITCs.
2. If yes, please explain why the March 2015 APH Guidance #15 is not being followed, where the utility should have transferred 50% of the approved balance into 1595 (2012) when the OEB approved the balance.
3. If no, please explain why the balance previously approved for disposition was not transferred to Account 1595 when the balance was approved for disposition in 2012.
1. Filing Requirements For Electricity Distribution Rate Applications – 2016 Edition for 2017 Rate Applications, dated July 14, 2016. [↑](#footnote-ref-1)